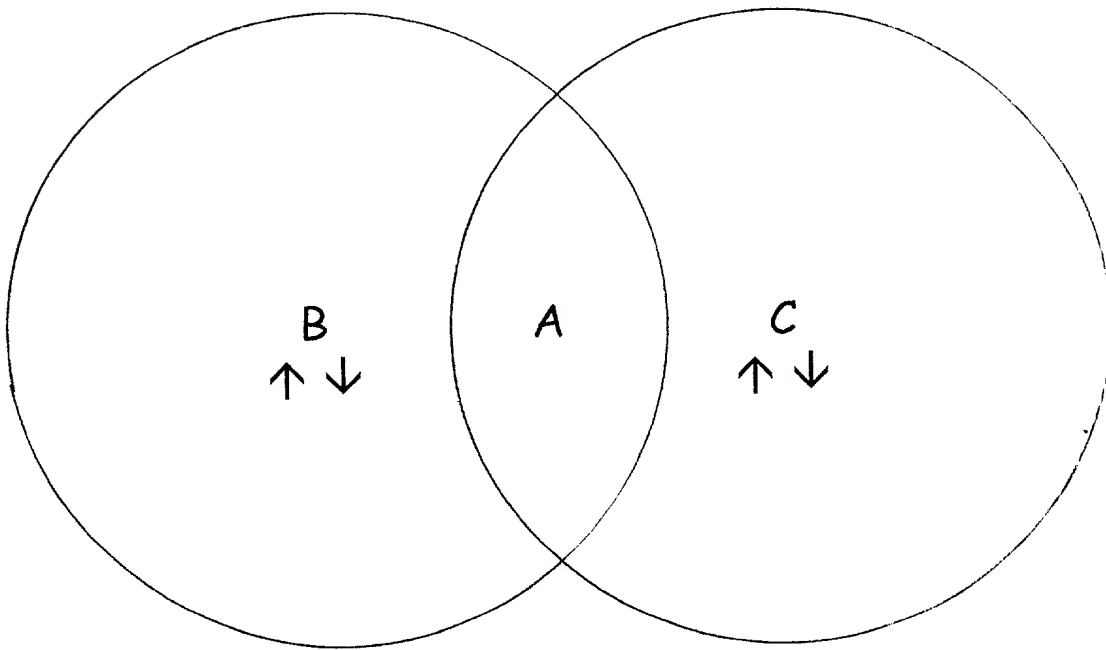


FIG 1

Model: Intellectual Capital Portfolio¹

A = Intellectual Capital Reserve

B = Heterogeneity² of Inventions

(Frequency and distribution of patents among USPTO Patent Classes or NAICS classes)

C = Depth³ of Inventions

(No. of patents referencing original patent, or 1st generation referencing patents; may also include no. patents referencing those patents that reference original patent, or 2nd generation referencing patents.)

$A + B + C = \text{Intellectual Capital Portfolio}$

A increases as B and C increase.

Normal public sector investment objective is to enrich A by continually replenishing and increasing B and C.

¹ May also be referred to as "Innovative Capital Portfolio"

² Also known as "balance".

³ May also be referred to as levels of risk.